

Message Text

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ACTION ARA-14

INFO OCT-01 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 /128 W
-----058986 101129Z /20

R 092045Z MAY 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 7432
INFO USMISSION GENEVA
AMEMBASSY BUENOS AIRES
AMEMBASSY CARACAS
AMEMBASSY MEXICO
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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GENEVA FOR MTN

E.O. 11652: N/A
TAGS: ETRD, MTN, BR
SUBJECT: US-BRAZIL SUB-GROUP ON TRADE (MORNING SESSION, MAY 8)

1. SUMMARY. BRAZILIAN NEGOTIATORS OPENED THE 5TH SESSION OF THE US-BRAZIL SUB-GROUP ON TRADE WITH A PRESENTATION OF NEWLY ESTABLISHED GUIDELINES FOR PREPARATION OF BRAZILIAN TARIFF OFFER IN THE MTN. THE GUIDELINES INCLUDE: BINDING LOW TARIFFS AT LEVELES "HIGHER THAN EXISTING RATES", BINDING MEDIUM TARIFFS AT CURRENT RATES, AND REDUCING HIGHER TARIFFS BY 20 PERCENT AND BINDING. THESE TARIFF CONCESSIONS WOULD BE ONLY ON A SELECTED PRODUCT BASIS, WOULD NOT AFFECT TEMPORARY IMPORT SURCHARGES, AND IMPLEMENTATION WOULD BE CONDITIONED ON IMPLEMENTATION

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OF DC OFFERS AND THE BRAZILIAN ECONOMIC SITUATION. (SEE PARAGRAPH 5 FOR DETAILS). PRESENT PLAN IS TO TABLE BRAZILIAN OFFER DURING THE FINAL WEEK IN JUNE. ALTHOUGH WE REGARD BRAZILIAN INDICATIONS ON TYPE OF CONCESSIONS IT IS WILLING TO OFFER IN THE MTN NEGOTIATION AS A POSITIVE STEP, THE GUIDELINES, AS THEY STAND NOW, FALL FAR SHORT OF THE DEPTH OF CUT IN US TARIFF REQUESTS.

HOWEVER, THERE ARE INDICATIONS THAT THE GOB IS PREPARED TO BE FLEXIBLE IN THE APPLICATION OF GUIDELINES. END SUMMARY.

2. THE FIFTH SESSION OF THE US-BRAZIL SUB-GROUP ON TRADE WAS OPENED THE MORNING OF MAY 8 WITH AN ADDRESS BY AMBASSADOR CASTRO ALVES (SECRETARY-GENERAL FOR EXTERNAL RELATIONS IN THE FOREIGN MINISTRY). CASTRO ALVES REAFFIRMED THE GOB'S COMMITMENT OF FULL PARTICIPATION IN THE MTN STATING THAT "THE BRAZILIAN GOVERNMENT HAS, AT THE HIGHEST LEVELS, DECIDED TO ENGAGE ITSELF IN THE NEGOTIATIONS". HE ADDED, HOWEVER, THAT BRAZIL IS FINDING IT DIFFICULT TO KEEP ABREAST OF MTN DEVELOPMENTS FOR TWO REASONS. ONE, DEVELOPING COUNTRY DEMANDS THAT AGREED NEGOTIATING RULES AND PROCEDURES BE DEVELOPED WERE IGNORED AND, TWO, THE TIMETABLE RECENTLY ADOPTED WAS FORMULATED BY THE DEVELOPED COUNTRIES WITHOUT CONSULTATIONS WITH OTHER MTN PARTICIPANTS. FINALLY, CASTRO ALVES STRESSED THE IMPORTANCE OF THE INCLUSION OF DEVELOPING COUNTRY REQUESTS FOR SPECIAL AND DIFFERENTIAL TREATMENT IN THE OUTLINE OF THE MTN PACKAGE EXPECTED IN JULY.

3. AMBASSADOR WOLFF (DEPUTY STR) IN THE US OPENING STATEMENT VOICED CONCERN THAT THE US AND BRAZIL WERE DRIFTING APART ON TRADE ISSUES AND HEADED FOR POTENTIAL, PERHAPS UNNECESSARY, CONFRONTATION IN CERTAIN AREAS. HE LIMITED OFFICIAL USE

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CITED THE PROGRESS MADE TOWARD MTN AGREEMENTS AMONG THE DEVELOPED NATIONS WHILE BRAZIL HAS BEGUN, MORE AND MORE, TO DRIFT OUTSIDE OF THE NEGOTIATIONS. IN VIEW OF THIS, HE WARNED THAT BRAZIL CAN NOT ASSUME THAT THE STATUS QUO WILL BE MAINTAINED IF THE MTN NEGOTIATIONS FAIL, AND THAT IN THE EVENT OF FAILURE, PROTECTIONIST PRESSURES WILL BE VERY DIFFICULT TO RESIST. AMBASSADOR WOLFF REAFFIRMED OUR COMMITMENT TO SPECIAL AND DIFFERENTIAL TREATMENT FOR DEVELOPING COUNTRIES BUT ADDED THAT SUPPORT FOR THIS PRINCIPLE CAN BE ERODED IF THE LEADING LDC ADVOCATES HAVE A REPUTATION FOR MAINTAINING STRINGENT TRADE DISTORTING IMPORT RESTRICTIONS. FINALLY, HE NOTED THE COMMON US/BRAZILIAN INTERESTS IN THE TRADE AREA AND STATED THAT GIVEN THESE COMMON INTERESTS THERE SHOULD NOT BE SUCH DIVERGENCE IN THE COUNTRIES' RESPECTIVE POSITIONS.

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GENEVA FOR MTN

4. FOLLOWING THE OPENING REMARKS IT WAS AGREED THAT THE FIRST DAYS SESSION WOULD BE DEVOTED TO MULTI-LATERAL ISSUES AND THAT BILATEAL ISSUES WOULD BE CONSIGNED TO THE SECOND DAY. MINISTER PROENCA ROSA TOOK THE CHAIR TO REITERATE THE NOW FAMILIAR BRAZILIAN POSITIONS ON THE MTN: THE FINAL DECISION ON CONCESSIONS WILL BE MADE AT THE CONCLUSION OF THE NEGOTIATIONS AFTER BENEFITS TO BRAZIL CAN BE ASSESSED, RAZILIAN CONCESSIONWILL BE MADE ON THE BASIS OF RELATIVE RECIPROCITY, AND NO CONCESSIONS WILL BE OFFERED THAT WOULD PREJUDICE BRAZILIAN MEASURES AIMED AT REDUCING ITS BALANCE OF PAYMENTS PROBLEMS.

5. BREAKING AWAY FROM THE FAMILIAR THEMES, PROENCA ROSA THEN DESCRIBED SEVEN TECHNICAL GUIDELINES ON WHICH LIMITED OFFICIAL USE

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PREPARATION OF BRAZILIAN PRODUCT SPECIFIC OFFER
IN THE MTN WOULD BE BASED. THESE GUIDELINES INCLUDE:

(A) BRAZIL IS NOT A FORMULA COUNTRY AND THEREFORE
CONCESSIONS WOULD BE MADE ONLY ON SELECTED PRODUCTS BASED

ON REQUEST LISTS. IN LATER DISCUSSION THERE WERE INDICATIONS THAT THERE IS SOME FLEXIBILITY ON THE BRAZILIAN SIDE ON DEPTH OF CUT.

(B) THE FIRST STAGE OF IMPLEMENTATION OF BRAZILIAN TARIFF REDUCTIONS WILL TAKE PLACE TWO YEARS AFTER THE FIRST STAGE OF IMPLEMENTATION BY DEVELOPED NATIONS. IN RESPONSE TO A QUESTION, ROSA ADMITTED THAT ON SOME PRODUCTS EXCEPTIONS COULD BE CONTEMPLATED AND IMPLEMENTATION COULD BEGIN EARLIER. ALTHOUGH NOT DEFINITE, BRAZILIANS INDICATED THAT THEIR SUPPOSITION WAS THAT BINDINGS WOULD BE EFFECTIVE WHEN DC'S IMPLEMENTED.

(C) BRAZILIAN TARIFF CUTS WOULD BE BASED ON TARIFF LEVELS IN EFFECT ON MAY 1, 1978.

(D) ANY REDUCTIONS IN TARIFFS WOULD BE ACCOMPLISHED IN FIVE EQUAL STAGES OF TWO YEARS.

(E) IMPLEMENTATION OF BRAZILIAN CONCESSIONS BEGINNING AFTER THE SECOND STAGE WOULD BE CONDITIONED ON TWO FACTORS: (1) THE EVOLUTION OF THE BRAZILIAN ECONOMY AND THE BRAZILIAN BALANCE OF PAYMENTS SITUATION, AND (2) THE REVITALIZATION OF THE WORLD ECONOMY AND THE IMPLEMENTATION OF DEVELOPED COUNTRIES MTN CONCESSIONS.

(F) IMPLEMENTATION OF TARIFF REDUCTIONS WOULD TAKE PLACE WITHOUT PREJUDICE TO THE ELIMINATION OR RETENTION LIMITED OFFICIAL USE

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OF TEMPORARY IMPORT SURCHARGES IN THE LIGHT OF FUTURE BRAZILIAN BOP SITUATION.

(G) CONCESSIONS OFFERED WOULD BE DIVIDED INTO THREE CATEGORIES BASED ON TARIFF LEVELS: LOWER TARIFFS TO BE BOUND AT A HIGHER THAN CURRENTLY EXISTING RATE; MEDIUM TARIFFS TO BE BOUND AT EXISTING RATES; AND HIGHER TARIFFS CUT UP TO 20 PERCENT AND BOUND AT NEW LEVELS. PROENCA ROSA LATER INDICATED THAT THESE THREE CATEGORIES MIGHT BE DEFINED AS FOLLOWS: LOW TARIFFS WOULD BE IN THE 0-30 PERCENT RANGE, MEDIUM TARIFFS AROUND 30-60 PERCENT AND PRESUMABLY HIGH TARIFFS ABOVE 60 PERCENT.

6. IN INITIAL US RESPONSE AMBASSADOR WOLFF ATTEMPTED TO OBTAIN SOME CLARIFICATION OF THE BRAZILIAN GUIDELINES AND MADE SOME GENERAL OBSERVATION ON THE US POSITION. HE STRESSED THE IMPORTANCE OF THE US OFFER FOR BRAZILIAN TRADE BUT MENTIONED THREE LIMITATIONS ON US CONCESSIONS: (1) THERE COULD BE NO EXPANSION OF GSP BENEFITS; (2) THERE ARE LEGAL LIMITS TO US CONCESSIONS ON COUNTERVAILING

DUTIES, AND (3) THAT ACCELERATED IMPLEMENTATION OF DEVELOPED COUNTRIES OFFERS IS NEGOTIABLEBUT ON A PRODUCT-BY-PRODUCT BASIS. HE ALSO POINTED OUT THAT THE US ATTITUDE TOWARDS THE BRAZILIAN OFFER WILL DEPEND ON A NUMBER OF FACTORS INCLUDING: DEGREE OF PRODUCT COVERAGE, THE POSSIBILITY OF A GENERAL BINDING OF TARIFFS EVEN AT CURRENT LEVELS, THE POSSIBILITY OF ENDING DISCRETIONARY LICENSING PROCEDURES, AND THE DURATION OF "TEMPORARY" BALANCE OF PAYMENTS MEASURES. FINALLY, HE OFFICIALLY PUT THE BRAZILIANS ON NOTICE THAT WE ARE REQUESTING THAT THE BRAZILIANS BIND ALL THEIR DUTIES AND NOTED THAT THE GUIDELINES FALL FAR SHORT OF THE DEPTH OF CUT IN U.S. TARIFF REQUESTS.

JOHNSON

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, COMMITTEE MEETINGS, NEGOTIATIONS, TARIFFS, TRADE CONCESSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 may 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRASIL03719
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780198-0299
Format: TEL
From: BRASILIA
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780580/aaaacqfk.tel
Line Count: 236
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 03a32aa2-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: ONLY
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2756050
Secure: OPEN
Status: NATIVE
Subject: US-BRAZIL SUB-GROUP ON TRADE (MORNING SESSION, MAY 8)
TAGS: ETRD, BR, US, MTN
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/03a32aa2-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014